

Performance Summary

SA Metropolitan Fire Service Superannuation Scheme
December 2019



Funds SA is responsible for investing the assets of the SA Metropolitan Fire Service Superannuation Scheme. In this summary, Funds SA provides an overview of the performance of the multi-sector funds offered under the Scheme.

Performance

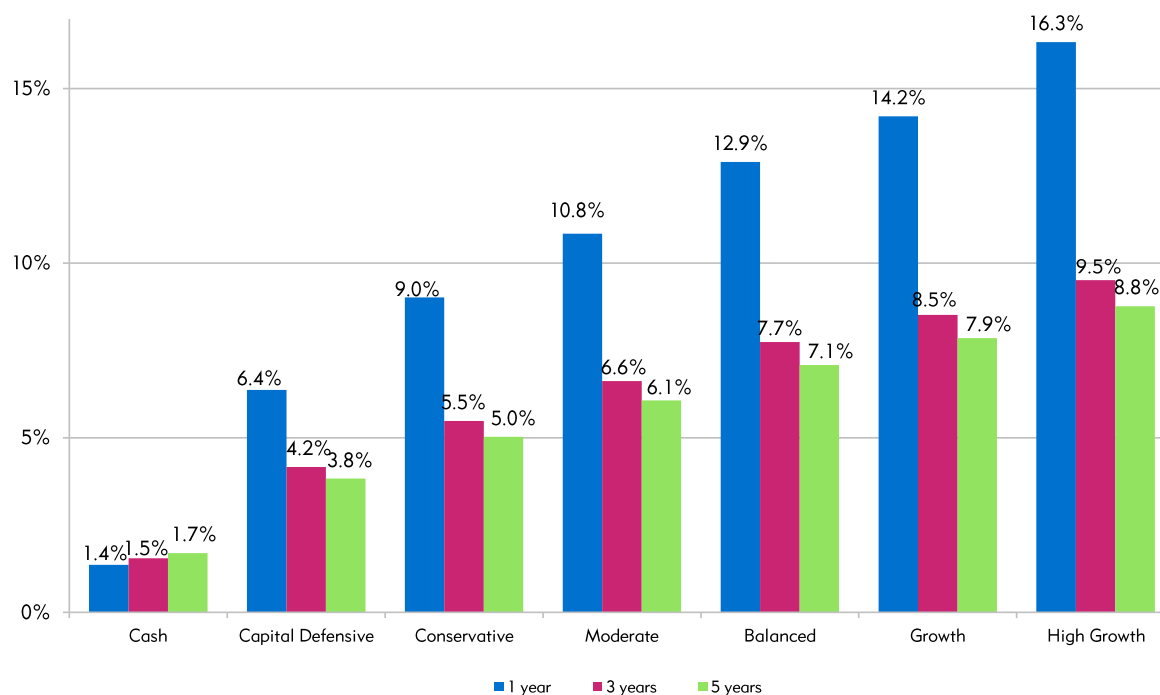
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 December 2019¹

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.1	0.2	0.5	1.4	1.5	1.7	1.9	2.5
Capital Defensive	-0.1	0.8	1.8	6.4	4.2	3.8	4.1	5.0
Conservative	-0.1	1.3	2.6	9.0	5.5	5.0	5.6	6.0
Moderate	-0.1	1.6	3.1	10.8	6.6	6.1	6.8	6.6
Balanced	-0.1	2.1	3.8	12.9	7.7	7.1	8.0	7.4
Growth	0.0	2.5	4.3	14.2	8.5	7.9	8.9	8.0
High Growth	0.1	3.0	4.9	16.3	9.5	8.8	10.1	8.6

1. The taxable funds were established in March 2005, with the exception of the Moderate fund (established in June 2006)

Chart 1: Multi-sector fund annualised returns net of fees and tax to 31 December 2019



Key drivers of performance during December 2019 included:

- Global equities posted strong positive returns and outperformed government bonds
- Global government bonds posted negative returns
- Domestic equities delivered negative returns underperforming global equities
- The Australian dollar appreciated against most major currencies

This environment proved to be favourable for portfolios with relatively larger allocations to growth assets such as listed equities..

Asset Allocation

The asset allocation mix of the multi-sector funds is shown in the table below.

Table 2: Asset allocation as at 31 December 2019

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	14.8	10.6	9.4	4.2	4.2	0.8
Short-Term Fixed Interest	0.0	30.3	18.1	6.3	2.3	0.0	0.0
Long-Term Fixed Interest	0.0	4.7	4.7	8.7	7.7	3.7	0.0
Inflation-Linked Securities B	0.0	14.2	15.1	11.2	8.2	5.2	0.0
Diversified Strategies Income	0.0	17.1	18.0	14.8	11.8	11.7	11.7
Property B	0.0	5.5	8.5	9.3	11.3	13.3	15.1
Australian Equities B	0.0	5.7	11.5	15.6	21.5	24.3	27.4
International Equities B	0.0	7.0	12.4	17.0	21.6	24.2	30.9
International Passive Equities B	0.0	0.6	1.1	1.4	1.8	2.1	2.6
Diversified Strategies Growth B	0.0	0.0	0.0	6.3	9.4	11.4	11.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note that due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

Financial Market Snapshot

The table below summarises market performance.

Table 3: Major market index returns to 31 December 2019

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % pa	10 Years % pa
Cash and fixed income								
Australian Cash	0.1	0.2	0.5	1.5	1.7	1.9	2.2	2.9
Australian Government	-2.1	-1.9	0.3	7.8	5.5	4.2	4.5	5.5
Australian Inflation-Linked	-2.2	-1.0	1.2	8.5	5.3	3.8	4.4	6.6
Global Treasuries ⁽¹⁾	-0.5	-1.5	1.1	6.3	3.9	4.1	4.9	6.1
Global Inflation-Linked ⁽¹⁾	-0.5	-2.8	0.9	7.4	3.8	4.8	4.5	6.7
Credit								
Global Credit ^{(1),(2)}	0.1	0.3	2.8	10.7	5.3	4.9	5.2	7.2
Global High-Yield ⁽¹⁾	2.2	2.7	2.5	11.9	5.8	6.9	6.9	9.7
Emerging Market Debt ⁽⁴⁾	1.9	2.1	3.5	14.4	6.1	5.9	4.0	6.6
Property								
Australian Listed Property	-4.2	-0.7	0.4	19.6	9.5	11.2	12.7	11.6
Equities⁽³⁾								
Australian Equities	-2.0	0.7	3.3	23.8	10.3	9.1	10.0	7.8
Global Equities	2.3	7.5	9.1	27.3	11.8	9.2	11.9	10.2
US Equities	3.0	9.1	10.9	31.5	15.3	11.7	14.7	13.6
European Equities	1.7	4.5	6.6	23.8	7.8	7.1	8.7	7.2
Japanese Equities	1.4	8.3	12.0	17.9	6.5	6.2	12.7	8.7
Asia (ex Japan) Equities	5.6	10.1	6.3	17.9	11.9	7.0	6.9	6.5
Emerging Market Equities	5.8	9.6	7.5	18.5	11.9	7.9	6.9	6.5
Global Small Companies	2.6	8.6	8.1	25.8	9.4	8.9	12.0	11.4
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	3.2	3.1	0.2	-0.5	-1.6	-2.6	-4.4	-1.8

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-related (e.g.

(3) Local currency return

(4) Hedged to USD

(5) A positive number represents appreciation of the Australian dollar. A negative number represents depreciation.

Commentary

Key factors impacting financial market performance during December 2019 are summarised below.

Equity Markets

Equity market performance was positive in December, continuing from the previous month's positive performance. In the United States, progress was made with China towards a 'Phase One' trade deal, with both sides giving trade concessions. The economic outlook improved as manufacturing and services indicators appeared to rebound from lows, market participants became increasingly optimistic which provided strong equity market returns for the US.

In the United Kingdom, Brexit saw major developments, the Conservative Party secured a large Parliamentary majority in the general election. This result created a clearer path for a Brexit outcome, as the new Conservative government was able to push through increased government spending. Despite this, Prime Minister Boris Johnson introduced legislation which aims to prevent any further extensions, raising fresh concerns of a no-deal, hard Brexit. These developments provided strong equity returns for the UK.

In Australia, recent GDP figures showed consumer spending growth is now at its weakest level in a decade, this caused Australian equities to post a negative return underperforming global equities.

Debt Markets

Global government bond markets produced negative returns over the month with long duration securities underperforming as the 'Phase One' trade deal improved risk sentiment. Central banks remained on hold this month. The US Federal Reserve Chair Jerome Powell stated that the current policy is likely to remain appropriate. Corporate bonds, high yield bonds and emerging market debt all posted positive returns.

Currency

The Australian dollar appreciated due to rising commodity prices.

Disclaimer

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